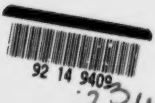
H
92-2252



0 22737
Q. 34740

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

BEST COPY AVAILABLE

FORM 10-Q

148

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

PROCESSED B
MAY 15 1992

For Quarter Ended March 31, 1992 Commission File N

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

LAFAYETTE AMERICAN BANCORP, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	06-1189467
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)
2321 Whitney Avenue, Hamden, Connecticut	06518
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (203) 287-3545

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common stock $1.00 par value - 3,500,916 shares as of May 1, 1992

LAFAYETTE AMERICAN BANCORP, INC.

FORM 10-Q

INDEX

		Page
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Consolidated Balance Sheet as of March 31, 1992 and December 31, 1991	3
	Consolidated Statement of Operations for the Three Months Ended March 31, 1992 and 1991	4
	Consolidated Statement of Cash Flows for the Three Months Ended March 31, 1992 and 1991	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	21
Item 2.	Changes in Securities	21
Item 3.	Defaults Upon Senior Securities	21
Item 4.	Submission of Matters to a Vote of Security Holders	21
Item 5.	Other Information	21
Item 6.	Exhibits and Reports on Form 8-K	21
Signatures		22

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
Lafayette American Bancorp, Inc. and Subsidiaries

(dollars in thousands)	March 31, 1992 (unaudited)	December 31, 1991 (Note 2)
Assets		
Cash and Due From Banks	$ 33,163	$ 33,317
Interest-Bearing Deposits with Banks	3,961	2,368
Federal Funds Sold	2,350	1,130
Trading Account Securities	-	-
Investment Securities (market value of $159,629 in 1992 and $168,902 in 1991)	162,458	164,725
Loans	499,911	512,486
Less Reserve for Possible Loan Losses	(15,808)	(14,209)
Net Loans	484,103	498,277
Accrued Interest Receivable	6,754	5,967
Premises and Equipment	7,788	8,066
Other Real Estate Owned, Net of Reserve for Real Estate Losses of $335 in 1991	19,361	19,033
Other Assets	13,484	26,810
Total Assets	$733,422	$759,693
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Demand	$102,374	$117,158
NOW	63,048	59,079
Savings	237,146	204,773
Money Market	45,789	43,599
Time	219,388	238,240
Total Deposits	667,745	662,849
Repurchase Agreements and Other Borrowed Funds	26,086	46,197
Other Liabilities	5,750	13,438
Total Liabilities	699,581	722,484
Commitments and Contingencies (Note 1)		
Shareholders' Equity:		
Preferred Stock - par value $1 per share: Authorized 275,000 shares, none issued	-	-
Common Stock - par value $1 per share: Authorized 6,000,000 shares, issued and outstanding 3,500,916 in 1992 and 1991	3,501	3,501
Capital Surplus	25,289	25,289
Retained Earnings	5,051	8,419
Total Shareholders' Equity	33,841	37,209
Total Liabilities and Shareholders' Equity	$733,422	$759,693

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS
Lafayette American Bancorp, Inc. and Subsidiaries

(dollars in thousands, except per share data)	Three Months Ended March 31, 1992	1991
	(unaudited)	
Interest Income		
Interest and Fees on Loans	$11,386	$14,355
Interest and Dividends on Investment Securities:		
Taxable	2,813	2,513
Nontaxable	273	570
Interest on Deposits with Banks	34	77
Interest on Federal Funds Sold	52	99
Interest on Trading Account Securities	8	14
Total Interest Income	14,566	17,628
Interest Expense		
Interest on Deposits	6,448	9,781
Interest on Short-Term Borrowings	310	552
Total Interest Expense	6,758	10,333
Net Interest Income	7,808	7,295
Provision for Possible Loan Losses	3,079	1,170
Net Interest Income After Provision for Possible Loan Losses	4,729	6,125
Noninterest Income		
Service Charges on Deposit Accounts	772	642
Trust Income	315	180
Commissions and Fees	187	161
Investment Securities Gains, Net	126	1,153
Mortgage Servicing Fees	32	27
Gains on Sales of Loans	31	48
Net Trading Account Profits (Losses)	(237)	5
Total Noninterest Income	1,226	2,216
Noninterest Expense		
Salaries	2,573	2,501
Employee Benefits	698	846
Losses on Securities Commitments	1,375	-
Foreclosed Properties Provision and Expense	1,018	204
Net Occupancy	907	951
Furniture and Equipment	543	532
Supply and Communication	396	405
FDIC Insurance	373	314
Business Development	198	199
Other	1,232	1,027
Total Noninterest Expense	9,313	6,979
Income (Loss) Before Income Taxes and Extraordinary Item	(3,358)	1,362
Provision for Income Taxes	10	280
Income (Loss) Before Extraordinary Item	(3,368)	1,082
Extraordinary Item - Utilization of Net Operating Loss Carryforward	-	270
Net Income (Loss)	$(3,368)	$ 1,352
Average Shares Outstanding	3,500,916	3,500,916
Per Common Share:		
Income (Loss) Before Extraordinary Item	$(.96)	$.31
Net Income (Loss)	(.96)	.39

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Lafayette American Bancorp, Inc. and Subsidiaries

(dollars in thousands)	Three Months Ended March 31, 1992	1991
	(unaudited)	
Operating Activities		
Net Income (Loss)	$ (3,368)	$ 1,352
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Provision for Possible Loan Losses	3,079	1,176
Provision for Losses on Other Real Estate Owned	705	93
Depreciation and Amortization	444	419
Investment Securities Gains, Net	(126)	(1,153)
Unrealized Losses on Securities Commitments	712	-
Net Trading Account Activity	237	(5
Gains on Sales of Loans	(31)	(48
Increase in Accrued Interest Receivable	(787)	(138
Decrease in Accrued Interest Payable	(64)	(362
Other, Net	4,431	(1,937
Net Cash Provided by (Used for) Operating Activities	5,232	(602
Investing Activities		
Proceeds from Sales of Investment Securities	9,795	45,026
Proceeds from Maturities of Investment Securities	4,396	5,970
Purchases of Investment Securities	(11,859)	(54,779
Net Decrease in Loans	10,403	4,826
Purchases of Premises and Equipment	(93)	(166
Net Cash Provided by Investing Activities	12,642	886
Financing Activities		
Net Increase (Decrease) in Demand, NOW, Savings and Money Market Accounts	23,748	(1,133
Net Decrease in Time Deposits	(18,852)	(5,511
Net Increase (Decrease) in Federal Funds Purchased and Securities Sold Under Repurchase Agreements	(20,633)	3,266
Net Increase (Decrease) in Other Borrowed Funds	522	(359
Net Cash Used for Financing Activities	(15,215)	(3,741
Net Increase (Decrease) in Cash and Cash Equivalents	2,659	(3,466
Cash and Cash Equivalents at Beginning of Year	36,815	40,993
Cash and Cash Equivalents at End of Year	$ 39,474	$ 37,527
Supplemental Information on Cash Paid For:		
Interest	$6,822	$10,699
Income Taxes	-	1
Noncash Investing and Financing Activities:		
Transfer from Loans to Other Real Estate Owned	2,172	588

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Lafayette American Bancorp, Inc. and Subsidiaries
March 31, 1992 (unaudited) and December 31, 1991

Note 1 - Regulation and Supervision

The Board of Directors of Lafayette Bank and Trust Company (Lafayette), a wholly-owned subsidiary of Lafayette American Bancorp, Inc. (the Company), at the request of the State of Connecticut Banking Department (the "State"), entered into a Stipulation and Agreement (the "Agreement") with the State dated June 17, 1991. The Agreement requires Lafayette to (i) obtain prior regulatory approval before paying dividends, (ii) increase its Tier 1 leverage capital ratio to 6% by September 16, 1992 (at March 31, 1992, Lafayette's Tier 1 leverage capital was $15,099,000 and its Tier 1 leverage capital ratio was 4.35%) and maintain that ratio during the remaining term of the Agreement, (iii) establish an operating plan to improve profitability, asset quality and capital, (iv) maintain an adequate reserve for possible loan losses, (v) resolve outstanding asset quality concerns and (vi) retain competent management at all levels of responsibility to manage and supervise Lafayette. Management expects that Lafayette will comply with all requirements of the Agreement, except that the required Tier 1 leverage capital ratio of 6% will probably not be achieved by September 16, 1992.

During the fourth quarter of 1991, Lafayette was jointly examined by the Federal Deposit Insurance Corporation (the "FDIC") and State. All known adjustments resulting from this regular examination were recognized in its December 31, 1991 financial statements. In connection with this examination, management may be asked to consent voluntarily to an FDIC Cease and Desist Order (the "Order") which management believes has become fairly standard in banks with high levels of nonperforming assets and a leverage capital ratio under 5%. Management does not know, and cannot predict, the specific items that will be addressed in the Order. However, based on initial conversations with the FDIC and State, management anticipates that such regulatory action may require Lafayette to adhere to similar provisions as required under its current Agreement. The Order may contain different capital requirements and dates from the existing Agreement.

During the fourth quarter of 1991, American National Bank (American), a wholly-owned subsidiary of the Company, was examined by the Comptroller of the Currency (the "Comptroller") and the FDIC. All known adjustments resulting from these examinations were recognized in its December 31, 1991 financial statements. In connection with the examination by the Comptroller (American's primary regulator), management was notified by letter dated April 29, 1992 that American will be asked to enter into the Issuance of a Consent Order ("Consent Order"). Based on the initial document presented to American by the Comptroller which is in the process of negotiation, American would be required to (i) increase its Tier 1 leverage capital ratio to 6% within 90 days from execution of the Consent Order, (ii) establish a compliance committee of the Board to ensure compliance with the Consent Order, (iii) retain an outside consultant to evaluate senior management, Bank policies and make recommendations, (iv) establish strategic and operating plans to improve profitability, asset quality, loan administration and capital, (v) develop or revise certain policies regarding loan and credit

administration, including revising appraisal procedures where appropriate and required, and procedures regarding asset and liability management and investments, (vi) maintain an adequate reserve for possible loan losses, (vii) conduct a review by the compliance committee of the adequacy of the reserve for possible loan losses at each quarter end during 1991 and restate prior Call Reports if required by this review, (viii) obtain prior regulatory approval before paying dividends to the Company and (ix) correct certain violations of law, rule or regulation cited in the Report of Examination. It is unlikely that American will be able to recommence paying dividends until it has satisfied any capital requirements which may be imposed pursuant to the anticipated agreement and established a sustained period of profitability.

Although management cannot predict the ultimate impact of the agreements referred to above until the terms of such agreements are finalized and relevant time frames are established, management believes that it has already made progress since the examination dates in the direction of resolving some of the concerns leading to these proposed agreements. Management believes that it could employ several strategies to increase each subsidiary Bank's regulatory capital ratios within a reasonable period of time, including asset sales, reducing the Bank's asset base, further centralization of management activities, raising additional capital through a private placement or public offering of securities or any combination thereof, although no management assurances can be given that any such steps will be successful.

The Comptroller, during its regular 1991 examination of American, initially contested American reporting its unamortized mortgage servicing rights as an intangible asset the value of which would be includable in regulatory capital. The Comptroller has now advised in writing that if certain changes to this transaction are made, it will allow American to continue to carry the unamortized value of this asset on its books and utilize it in calculating regulatory capital ratios. American intends to make the changes necessary, and the Company has included the unamortized mortgage servicing rights in computing its capital ratios. The risk-based capital ratios as of March 31, 1992 for the Company, American and Lafayette were 7.77%, 7.55% and 7.90%, respectively, and the leverage capital ratios were 4.42%, 4.41% and 4.35%, respectively. If the unamortized mortgage servicing rights intangible asset was deducted from regulatory capital, the risk-based capital ratios for the Company, American and Lafayette would have been 7.03%, 6.20% and 7.90%, respectively, and the leverage capital ratios would have been 3.89%, 3.40% and 4.35%, respectively.

As of March 31, 1992, the Company did not have the ability to pay dividends as the result of Federal and state law restrictions on the ability of American and Lafayette to pay dividends to the Company.

Note 2 - Basis of Presentation

The consolidated balance sheet as of March 31, 1992, the consolidated statement of operations for the three month periods ended March 31, 1992 and 1991, and the consolidated statement of cash flows for the three month periods

ended March 31, 1992 and 1991 have been prepared by the Company without audit. Certain reclassifications have been made to the 1991 financial statements to conform with the 1992 presentation. In the opinion of management, the financial statements have been prepared in conformity with generally accepted accounting principles for interim financial statements and include all adjustments necessary to present fairly the financial position of the Company and its subsidiaries as of March 31, 1992, and the results of their operations and their cash flows for the three month periods ended March 31, 1992 and 1991.

The consolidated balance sheet as of December 31, 1991, which has been included for comparative purposes, has been condensed from the audited financial statements for the year then ended. Certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991. The Company's Form 10-K is on file with the Securities and Exchange Commission and is incorporated herein by reference.

Note 3 - Investment Securities

The carrying and estimated market values of investment securities were:

	March 31, 1992		December 31, 1991	
	Carrying Value	Estimated Market Value	Carrying Value	Estimated Market Value
	(dollars in thousands)			
U.S. Treasury	$ 44,157	$ 42,641	$ 42,671	$ 43,596
U.S. Government agencies:				
Mortgage-backed securities	93,133	91,486	93,548	96,390
Other	5,245	5,309	6,162	6,298
Obligations of states and political subdivisions	15,554	15,810	16,756	17,067
Other bonds, notes and debentures	3,376	3,390	4,595	4,558
Total debt securities	161,465	158,636	163,732	167,909
Marketable equity securities	1,088	993	1,088	993
Net unrealized loss on marketable equity securities	(95)	-	(95)	-
Total	$162,458	$159,629	$164,725	$168,902

Note 4 - Loans

The composition of the loan portfolio was:

	March 31, 1992	December 31, 1991
	(dollars in thousands)	
Commercial loans	$207,368	$211,322
Real estate loans:		
Commercial and other	133,891	140,219
1-4 Family residential	88,713	87,587
Construction	16,644	16,792
Installment loans	53,295	56,566
Total	499,911	512,486
Less - Reserve for possible loan losses	15,808	14,209
Loans, net	$484,103	$498,277

Note 5 - Nonperforming Assets

The balances of nonperforming assets were:

	March 31, 1992	December 31, 1991
	(dollars in thousands)	
Nonaccrual loans	$32,205	$32,521
Accruing loans past due 90 days or more as to principal or interest	1,739	1,969
Restructured loans	1,924	2,792
Total nonperforming loans	35,868	37,282
Other real estate owned	19,361	19,368
Total nonperforming assets	$55,229	$56,650
As a percentage of total loans and other real estate owned	10.63%	10.65%

Note 6 - Reserve for Possible Credit Losses

Changes in the reserves for possible credit losses were:

	Three Months Ended March 31,	
	1992	1991
	(dollars in thousands)	
Reserve for possible loan losses:		
Balance, beginning of year	$14,209	$ 9,560
Provision charged to expense	3,079	1,170
Recoveries	133	136
Loans charged off	(1,613)	(417)
Balance, end of period	$15,808	$10,449
Reserve for other real estate owned losses:		
Balance, beginning of year	$ 335	$ 1,000
Provision charged to expense	705	93
Real estate charged off	(1,040)	(93)
Balance, end of period	$ -	$ 1,000

Note 7 - Per Common Share Data

Per common share data for the three month periods ended March 31, 1992 and 1991 are based upon the weighted average number of shares outstanding during the periods. The effect of exercisable stock options in 1992 and 1991 was anti-dilutive and therefore not reflected in the computation of per common share amounts.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTH PERIODS ENDED MARCH 31, 1992 AND 1991

Summary - For the three months ended March 31, 1992, the Company reported a net loss of $3,368,000 or $.96 per common share compared to net income of $1,352,000 or $.39 per common share for the same period in 1991. The Company operates primarily in Connecticut which since 1989 has been affected severely by a decline in economic conditions and a deterioration of the real estate market. The economic deterioration is in a large part the result of overbuilt real estate facilities causing declines in values, which has had an adverse economic effect on companies doing business in the area as well as causing an exodus of business and industry and rising unemployment. The worsening conditions have adversely affected banks throughout the Northeast, and prospects as to the extent and timing of future improvement in the economy remain uncertain. These conditions could result in the Company experiencing future increases in nonperforming assets, additional lost interest income on nonperforming assets and a need for further significant provisions for loan and real estate losses. The amounts provided by the Company as provisions for possible loan losses were $3,079,000 for the first quarter of 1992 compared to $1,170,000 for the same period in 1991. The reserve for possible loan losses, after charge-offs and recoveries, increased from $10,449,000 as of March 31, 1991 to $15,808,000 as of March 31, 1992. In addition, the Company provided $705,000 in 1992 and $93,000 in 1991 as provisions for losses on other real estate owned.

As a result of these continued economic problems in the Company's lending areas, nonperforming assets increased to $55,229,000 as of March 31, 1992 from $40,119,000 as of March 31, 1991. On a company wide basis, nonperforming assets at the end of the first quarter of 1992 appears to have leveled off and in fact declined slightly from $56,650,000 as of December 31, 1991, although on an individual basis fluctuations occur at the subsidiary Banks as they are in different market areas. Net loan charge-offs and losses on the write-downs of other real estate owned increased from $374,000 in the first three months of 1991 to $2,520,000 for the same period in 1992. The carrying value of other real estate owned as of March 31, 1992 was $19,361,000 versus $19,915,000 as of March 31, 1991.

In 1991, the Company was able to recognize significant security gains by exchanging high coupon GNMA mortgaged-backed securities ("GNMA") for lower coupon GNMA's as interest rates dropped. Management's strategy was that the likelihood of prepayments in the high coupon GNMA's was greater as market interest rates declined. By exchanging into lower coupons, principal was retained and invested at a better yield than would be available when anticipated future prepayments would occur.

In line with this overall strategy, in January 1992, Lafayette entered into commitments to purchase approximately $60 million of 7.50% coupon GNMA'S for settlement in April 1992, but in March determined not to go forward with the execution of the commitments. As of March 31, 1992, $27 million of the commitments were sold at a loss of $663,000. The remaining $33 million of

commitments were adjusted to the lower of cost or market which resulted in an unrealized loss of $712,000 bringing the total loss recorded by Lafayette as of March 31, 1992 to $1,375,000. Subsequently, the remaining $33 million of commitments were systematically liquidated by April 10, 1992 but the actual loss was $402,000 less than anticipated as of March 31, 1992. The $402,000 difference between the realized loss in April and the unrealized loss recorded as of March 31, 1992, will be reflected in second quarter earnings.

Other security gains of $126,000 exclusive of the GNMA 7.50% commitment losses were realized in the first quarter of 1992 compared to $1,153,000 during the same period last year.

The Company's aggregate market value of investment securities was below book value by $2,829,000 as of March 31, 1992. As of December 31, 1991, the aggregate market value exceeded book value by $4,177,000.

For further information regarding certain regulatory examinations, see Note 1 of Notes to Consolidated Financial Statements.

Net Interest Income - Net interest income, the difference between interest earned on interest-earning assets and interest expense incurred on interest-bearing liabilities, is a very significant component affecting the Company's earnings. Net interest income is affected by changes in the volumes and rates of interest-earning assets and interest-bearing liabilities, the volume of interest-earning assets funded with low cost deposits, noninterest-bearing deposits and shareholders' equity, and the level of nonperforming assets.

The following table, presented on a tax equivalent basis, summarizes net interest income, as reflected in the schedule presented on page 19, for the three months ended March 31, 1992 and 1991. The effects of the changes in volume and interest rates on net interest income during the three months ended March 31, 1992 and 1991 are shown in the schedule on page 20. Interest income on securities of states and political subdivisions, certain loans, and dividends on preferred stocks are partially exempt from Federal income tax. A tax equivalent adjustment has been made to income received from these sources to provide comparability to taxable income. All tax equivalent adjustments are computed using a 34% tax rate.

	Three Months Ended March 31,		Change From Prior Year	
	1992	1991	Amount	Percent
	(dollars in thousands)			
Interest income.....	$14,711	$17,941	$(3,230)	(18.0)%
Interest expense.....	6,758	10,333	(3,575)	(34.6)
Net interest income....	$ 7,953	$ 7,608	$ 345	4.5

Average interest-earning assets were $679,121,000 and $693,357,000 for the three months ended March 31, 1992 and 1991, respectively. Average nonaccrual loans outstanding totaled approximately $32,363,000 and $8,675,000 for the three months ended March 31, 1992 and 1991, respectively, and are included in these amounts. The Company would have recorded approximately $728,000 and $233,000 of additional interest income if interest on nonaccrual loans had been recognized during the first three months of 1992 and 1991, respectively.

The Company's net interest margin, on a tax equivalent basis, was 4.14% for the quarter ended March 31, 1992 compared to 3.62% for the same period in 1991. The ratio of net interest income, on a tax equivalent basis, to average interest-earning assets was 4.71% for the three months ended March 31, 1992 compared to 4.45% for 1991.

A proportionately greater decline in interest rates on sources of funds compared with yields on earning assets concurrent with an improvement in the mix of deposits, partially offset by the effects of an increased amount of nonaccrual loans and a decline in average noninterest-bearing demand deposits, helped to achieve the increase in net interest income during 1992 compared to 1991.

Provision for Possible Loan Losses - The current economic conditions and deterioration of the real estate market in Connecticut has led management to increase its charge against earnings for the provision for possible loan losses to $3,079,000 for the first three months of 1992 from $1,170,000 in 1991. Net charge-offs totaled $1,480,000 for the first three months of 1992 compared to $281,000 for the same period in 1991. The reserve for possible loan losses was $15,808,000 or 3.16% of outstanding loans as of March 31, 1992 compared to $10,449,000 or 2.00% of outstanding loans as of March 31, 1991. Nonperforming loans were $35,868,000 as of March 31, 1992 and $19,204,000 as of March 31, 1991, representing 7.17% and 3.68%, respectively, of outstanding loans. The reserve coverage on nonperforming loans increased to 44.1% in 1992 from 38.1% at year end 1991 and decreased from 54.4% at March 31, 1991.

While considerable uncertainty exists as to the extent and timing of changes in the real estate market and the economy, the Company anticipates nonperforming assets to continue at the current level during 1992. If further economic deterioration continues in future periods, this might result in the Company experiencing increased levels of nonperforming assets, charge-offs, additional provisions for possible loan losses and a reduction in net interest income. The Company believes that its underwriting standards used in granting and renewing credit, continued monitoring of the collateral positions on all loans and real estate owned together with the consolidation of loan workouts and the management thereof at the holding company level, and assigning the disposition of other real estate owned to the centralized asset quality division will help reduce the future loss potential associated with any increases in nonperforming assets.

The reserve for possible loan losses is established by management and approved by the Board of Directors. Its adequacy is monitored based on independent internal and external credit review and analysis of the loan portfolio at each subsidiary Bank through a separate credit review function which considers current economic conditions and their probable effect on borrowers, the amount of nonperforming loans and related collateral, the amount of charge-offs during the period and other relevant factors.

Noninterest Income - Total noninterest income decreased by $990,000, or 44.7%, for the three months ended March 31, 1992 compared to the same period in 1991. Gains on the sales of securities decreased by $1,027,000. Also, see "Summary" section on pages 11 and 12 for an explanation of losses on securities commitments of $1,375,000 incurred during the first quarter of

1992. Service charges on deposit accounts increased $130,000, or 20.2% to $772,000 in 1992 from $642,000 in 1991, primarily as a result of price increases.

Trust income was $315,000 in 1992 compared to $180,000 in 1991, an increase of $135,000 or 75.0% as a result of increasing the Company's volume partially through the purchase of Professionally Managed Investment Accounts (PMIA) from another institution in March 1991 and partially through an intensive new business campaign by the Company to increase the size and number of accounts in its investment management portfolio.

The net trading account losses of $237,000 recorded by the Company in 1992 were primarily related to unrealized losses on interest rate swaps due to changes in market value.

Noninterest Expense - Operating expenses increased $2,334,000 or 33.4% to $9,313,000 in 1992 from $6,979,000 in 1991. The table below includes the primary contributors to this increase, the bulk of which resulted from losses on securities commitments and expenses incurred and loss provisions provided in connection with other real estate owned.

	Three Months Ended March 31,		Increase (Decrease)	
	1992	1991	Amount	Percent
	(dollars in thousands)			
Salaries and employee benefits....	$3,271	$3,347	$ (76)	(2.3)%
Losses on securities commitments..	1,375	-	1,375	-
Foreclosed properties.....	1,018	204	814	399.0
Net occupancy.....	907	951	(44)	(4.6)
Furniture and equipment.....	543	532	11	2.1
Supply and communication.....	396	405	(9)	(2.2)
FDIC insurance.....	373	314	59	18.8
Business development.....	198	199	(1)	(.5)
Other.....	1,232	1,027	205	20.0
Total Noninterest Expense....	$9,313	$6,979	$2,334	33.4

The decrease in salaries and employee benefits expense of $76,000 or 2.3% is due to scheduled annual salary adjustments during 1991 offset by decreased group insurance and pension expense and lower staff levels in 1992 compared to 1991. A flexible hiring freeze was imposed in October 1990 whereby normal employee turnover does not lead to automatic replacement, but rather is utilized as an opportunity to restructure positions and reassign responsibilities. This restructuring, together with the consolidation of the remaining major subsidiary Bank support functions at the holding company level during 1991, has reduced staff levels in 1992 compared to 1991. A freeze on all employee scheduled annual salary increases was put into effect in January 1992 and has contributed to the 1992 decreased expense.

For an explanation of the losses on securities commitments of $1,375,000 incurred in the first quarter of 1992, see "Summary" section on pages 11 and 12.

The expenses related to foreclosed properties include provisions for other real estate losses of $705,000 and $93,000 in 1992 and 1991, respectively. For further information, see Note 6 of Notes to Consolidated Financial Statements. The Company anticipates continued high levels of foreclosed property expenses as it continues its property management and foreclosed activities.

Provision for Income Taxes - The provision for income taxes for the three months ended March 31, 1992 and 1991 was $10,000 and $280,000, respectively, representing effective tax rates of .3% in 1992 and 20.6% in 1991. No Federal income tax benefit was recorded during the first quarter of 1992 as a result of deferred debit tax limitations. An extraordinary item was recognized in 1991 in the amount of $270,000 resulting from utilization of a Federal income tax net operating loss carryforward. The Company expenses certain items for financial reporting purposes, principally related to the provision for possible loan losses, which are not currently deductible for tax purposes and result in a deferred tax asset. As of March 31, 1992, the deferred tax asset was approximately $875,000.

Liquidity - The liquidity of a banking institution reflects its ability to provide funds to meet loan requests, to accommodate possible outflows in deposits and to take advantage of interest rate market opportunities. Funding of loan requests, providing for liability outflows, and management of interest rate fluctuations require continuous analysis in order to match the maturities of specific categories of short-term loans and investments with specific types of deposits and borrowings. Bank liquidity is thus normally considered in terms of the nature and mix of a banking institution's sources and uses of funds.

For the Company, the primary sources of liquidity have been loans (including demand loans) and investment securities maturing or repricing within one year, which aggregated approximately $359.4 million as of March 31, 1992. Such sources are supplemented by interest-bearing deposits in other banks and Federal funds sold which amounted to approximately $6.3 million. As of December 31, 1991, loans (including demand loans) and investment securities maturing or repricing within one year were $377.4 million, and Federal funds sold and interest-bearing deposits in other banks amounted to $3.5 million.

The Company had available unused borrowing capacity to provide additional short-term liquidity, primarily in a secured line of credit at the Federal Home Loan bank of Boston, open Federal funds lines and investment securities it could pledge for repurchase agreements.

As of March 31, 1992, the Company had approximately $3.8 million of an unused credit line at the Federal Home Loan Bank of Boston, $14.7 million of open Federal funds lines and $96.0 million of excess investment security collateral for repurchase agreements.

Capital Resources - The Company is subject to capital adequacy guidelines issued by the Federal Reserve Board (the "FRB"). The FRB has approved final risk-based capital guidelines for bank holding companies, such as the Company. When the guidelines are fully phased-in at the end of 1992, the minimum ratio of risk-based capital to risk-adjusted assets (including certain off-balance sheet items such as standby letters of credit) will be 4% and 8% for Tier 1 and Total Capital, respectively. Prior to December 31, 1992, the minimum ratios are 3.625% and 7.25%, respectively. At least half of the total capital is to be comprised of common equity and qualifying perpetual preferred stock, less certain intangible assets ("Tier 1 capital"), although prior to December 31, 1992, Tier 1 capital may include a portion of the reserve for possible loan losses. The remainder ("Tier 2 capital") may consist of mandatory convertible debt securities, qualifying subordinated debt, other preferred stock and a portion of the reserve for possible loan losses.

In addition, the FRB has approved final minimum "leverage" ratio guidelines (Tier 1 capital to total assets, less certain intangible assets) for bank holding companies. These guidelines provide for a minimum leverage ratio of 3% for bank holding companies that meet certain specified criteria. Most bank holding companies (including the Company) are required to maintain a leverage ratio of at least 100 to 200 basis points above the minimum ratio.

The Company's Bank subsidiaries are subject to generally similar capital requirements (including a leverage ratio of at least 100 to 200 basis points above 3%) adopted by the applicable regulatory agencies. As discussed under Note 1 of Notes to Consolidated Financial Statements, Lafayette, in connection with the Agreement entered into with the State in June 1991, is required to increase its Tier 1 leverage capital ratio to 6% by September 16, 1992 and maintain that ratio during the remaining term of the Agreement. Management of Lafayette recognizes that it is unlikely that earnings alone will be sufficient to increase Lafayette's Tier 1 leverage capital ratio to the 6% target by the September 1992 deadline referred to in the Agreement. See Note 1 of Notes to Consolidated Financial Statements for further discussion.

On August 8, 1991 the initial response to the Agreement was filed with the State. This filing contained documents to be provided within 45 days of the signing of the Agreement. The documents filed included (i) Lafayette Bank's Comprehensive Policy for Determining the Adequacy of the Loan Loss Reserve, (ii) the Bank's revised loan policy, (iii) the Bank's Capital Improvement Plan, (iv) the Bank's Profit Plan for improving the earnings of the Bank and (v) the Bank's first progress report as of June 30, 1991 to the Commissioner reflecting actions taken to date to secure the Bank's compliance with the Agreement.

The Bank is required to file quarterly progress reports on the Capital Improvement Plan and Profit Plan within 45 days of each quarter-end. The progress reports as of September 30, 1991 and December 31, 1991 were filed with the State in November 1991 and March 1992, respectively. Each progress report tracks earnings, asset size and nonperforming loan levels compared to the Profit Plan filed.

In April 1992, the progress report as of March 31, 1992 was filed along with a revised Capital Improvement Plan and Profit Plan reflecting that the 6% Tier 1 leverage capital ratio requirement will probably not be achieved by September 16, 1992. Alternative strategies were submitted for approval to increase Lafayette's leverage capital ratio to the required level within a reasonable period of time.

American, in connection with its proposed Consent Order with the Comptroller, would also be required to increase its Tier 1 leverage capital ratio to a 6% level within 90 days from the date of execution of the document. American intends to attempt to negotiate this time frame in the execution of the final document. See Note 1 of Notes to Consolidated Financial Statements. The Bank has developed and submitted a detailed capital plan to the Comptroller, demonstrating steps contemplated in order to meet regulatory capital requirements in the future.

The Comptroller, during its regular 1991 examination of American, initially contested American reporting its unamortized mortgage servicing rights as an intangible asset the value of which would be includable in regulatory capital. The Comptroller has now advised in writing that if certain changes to this transaction are made, it will allow American to continue to carry the unamortized value of this asset on its books and utilize it in calculating regulatory capital ratios. American intends to make the changes necessary, and the Company has included the unamortized mortgage servicing rights in computing its capital ratios. The risk-based capital ratios as of March 31, 1992 for the Company, American and Lafayette were 7.77%, 7.55% and 7.90%, respectively, and the leverage capital ratios were 4.42%, 4.41% and 4.35%, respectively. If the unamortized mortgage servicing rights intangible asset was deducted from regulatory capital, the risk-based capital ratios for the Company, American and Lafayette would have been 7.03%, 6.20% and 7.90%, respectively, and the leverage capital ratios would have been 3.89%, 3.40% and 4.35%, respectively.

Information regarding the capital ratios of the Company, American and Lafayette as of March 31, 1992, calculated using the transition standards provided in the risk-based capital guidelines and quarter-end asset and capital amounts, are presented below:

	As of March 31, 1992		
	American	Lafayette	Company
	(dollars in thousands)		
Risk-Based Capital			
Total shareholders' equity.....	$ 17,262	$ 15,099	$ 32,673
Tier 1 capital.....	18,988	16,609	35,940
Total capital.....	21,628	18,699	40,640
Risk-weighted assets.....	286,403	236,785	523,284
Tier 1 capital ratio.....	6.63%	7.01%	6.87%
Total capital ratio.....	7.55	7.90	7.77
Leverage Capital			
Total shareholders' equity.....	$ 18,071	$ 15,399	$ 33,841
Less certain intangible assets.....	(809)	(300)	(1,168)
Total.....	$ 17,262	$ 15,099	$ 32,673
Total assets.....	$386,224	$347,045	$733,422
Add loans sold with recourse.....	6,207	-	6,207
Less certain intangibles.....	(809)	(300)	(1,168)
Total.....	$391,622	$346,745	$738,461
Leverage capital ratio.....	4.41%	4.35%	4.42%

No dividends were declared by the Board of Directors of the Company for the first quarter of 1992 or 1991. As of March 31, 1992 and 1991, the Company did not have the ability to pay dividends as the result of Federal and state statutory restrictions on the ability of American and Lafayette to pay dividends to the Company.

The Company's success in returning to profitability and achieving adequate regulatory capital ratios will depend largely on its ability to manage successfully current and future levels of nonperforming assets. The Company has projected minimal asset growth and presently anticipates nonperforming assets to continue at the current level during 1992.

Consolidated Average Balance Sheets, Net Interest Income and Interest Rates

	Three Months Ended March 31,					
	1992			1991		
	Average Balance	Interest	Average Rates(1)	Average Balance	Interest	Average Rates(1)
	(dollars in thousands)					
ASSETS						
Interest-earning assets:						
Interest-bearing deposits with banks	$ 3,176	$ 34	4.31%	$ 4,558	$ 77	6.85%
Federal funds sold	4,825	52	4.33	5,902	99	6.80
Trading account securities	344	8	8.84	654	14	8.55
Investment securities:						
Taxable	147,491	2,813	7.67	112,182	2,513	9.08
Nontaxable	16,853	412	9.83	34,099	861	10.24
Loans (net of unearned income)	306,412	11,292	9.05	535,952	14,377	10.88
Total interest-earning assets	479,121	14,711	8.71	692,357	17,941	10.49
Noninterest-earning assets:						
Cash and due from banks	30,255			29,235		
Premises and equipment	7,966			8,592		
Other real estate owned, net	19,541			18,599		
Other assets	19,742			17,192		
Reserve for possible loan losses	(15,241)			(10,217)		
Total noninterest-earning assets	62,263			61,401		
Total assets	$741,384			$756,758		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
NOW	$ 57,850	$ 556	3.87	$ 50,422	669	5.38
Savings	225,020	2,409	4.31	156,848	2,307	5.97
Money market	43,972	464	4.24	29,733	411	5.61
Time	235,042	3,019	5.17	338,179	6,394	7.67
Total interest-bearing deposits	561,884	6,448	4.62	575,182	9,781	6.90
Short-term borrowings	33,318	310	3.74	34,423	552	6.50
Total interest-bearing liabilities	595,202	6,758	4.57	609,605	10,333	6.87
Noninterest-bearing liabilities:						
Demand deposits	103,453			106,737		
Other liabilities	5,251			1,284		
Total noninterest-bearing liabilities	108,704			108,021		
Shareholders' equity	37,478			39,132		
Total liabilities and shareholders' equity	$741,384			$756,758		
Net interest income (tax equivalent basis)		7,953			7,608	
Reversal of tax equivalent adjustment		(145)			(313)	
Net interest income		$ 7,808			$ 7,295	
Net interest margin (tax equivalent basis)			4.14%			3.62%
Net interest income as a percentage of interest-earning assets (tax equivalent basis)			4.71%			4.45%

(1) Computed on an annualized basis. Rates are adjusted to a tax equivalent basis using a Federal income tax rate of 34%.

Consolidated Rate/Volume Analysis(1)

	First Quarter of 1992 vs. First Quarter of 1991 Increase (Decrease) Due to Change in Average Volume	Average Rate	Total Increase (Decrease)
	(dollars in thousands)		
Interest Income:			
Interest-bearing deposits with banks	$ (19)	$ (24)	$ (43)
Federal funds sold	(15)	(32)	(47)
Trading account securities	(7)	1	(6)
Investment securities:			
Taxable	715	(415)	300
Nontaxable	(426)	(23)	(449)
Interest and fees on loans	(631)	(2,354)	(2,985)
Total interest income	(383)	(2,847)	(3,230)
Interest Expense:			
Interest-bearing deposits:			
NOW	94	(207)	(113)
Savings	843	(741)	102
Money market	167	(114)	53
Time	(1,628)	(1,747)	(3,375)
Total	(524)	(2,809)	(3,333)
Short-term borrowings	(10)	(232)	(242)
Total interest expense	(534)	(3,041)	(3,575)
Change in net interest income	$ 151	$ 194	$ 345

(1) This table is presented on a tax equivalent basis.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Neither the Company nor the subsidiary Banks are involved in any legal proceedings other than routine litigation incident to the ordinary course of business of the Company and the Banks, none of which should have a material adverse affect on the Company.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

None.

B. Reports on Form 8-K

No reports on Form 8-K were filed during the first quarter of 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Lafayette American Bancorp, Inc.
(Registrant)

Date: May 13, 1992

Donald P. Calcagnini
Chairman of the Board and
Chief Executive Officer

Date: May 13, 1992

Thomas A. Sebastian
Senior Vice President and
Chief Financial Officer